

**Memorandum**

Date SEP 2 1997

From June Gibbs Brown
Inspector General *June Gibbs Brown*

Subject Audit of Foster Care Training Administrative Costs Claimed for
Federal Reimbursement by the California Department of Social
Services (A-09-96-00066)

To Olivia A. Golden
Principal Deputy Assistant Secretary
for Children and Families

This memorandum is to alert you to the issuance on September 4, 1997 of our final audit report. A copy is attached.

The objective of our audit was to determine whether the State of California, Department of Social Services (State) claimed administrative costs related to foster care training at the appropriate rate of 50 percent instead of the 75 percent rate allowed for certain training costs specified by Federal regulations. Our audit was initiated based on problems identified in recent audits performed by the Office of Inspector General, Office of Audit Services in California and several other States and covered the period July 1, 1994 through December 31, 1995.

We found that the State inappropriately claimed administrative costs related to foster care training at the enhanced rate of 75 percent instead of the rate of 50 percent allowed by Federal regulations for such costs. Our audit disclosed that about \$8.4 million was claimed at the inappropriate rate, resulting in an overclaim of Federal funds of \$2.1 million. We are recommending that the State refund the \$2.1 million to the Federal Government and revise its instructions to the counties in California to ensure that only eligible costs are claimed at the 75 percent enhanced rate.

Our audit also disclosed that the State made two duplicate claims totaling \$6.8 million (Federal share \$4.5 million) due to administrative and procedural errors in the preparation of quarterly statements of expenditures used for claiming Federal funds. We are recommending that the State refund the \$4.5 million, but we are not recommending procedural changes because the State had already initiated corrective action.

In addition, the State did not provide sufficient documentation to support some of the costs that were claimed as matching to meet the State's cost sharing requirements for certain costs claimed at the 75 percent rate. We identified \$3.8 million (Federal share \$2.8 million) of such inadequately supported costs claimed. We are recommending that the State provide support to the Administration for Children and Families for inadequately documented costs, or make an appropriate adjustment for costs which cannot be supported.

The State, in response to the draft report, concurred with the recommendation to refund the \$4.5 million for the duplicate claims, but did not agree with the findings and recommendations relating to the recommended refund of \$2.1 million or the unsupported costs of \$3.8 million. The State did not agree that the regulations limited Federal reimbursement of training-related administrative costs to 50 percent, and commented that it considered the documentation provided in support of the costs claimed to meet its matching requirements to be sufficient.

Any questions or comments on any aspect of this memorandum are welcomed. Please call me or have your staff contact:

Lawrence Frelot
Regional Inspector General for Audit Services
50 United Nations Plaza, Room 171
San Francisco, CA 94102
(415) 437-8360

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF FOSTER CARE TRAINING
ADMINISTRATIVE COSTS CLAIMED FOR
FEDERAL REIMBURSEMENT
BY THE CALIFORNIA
DEPARTMENT OF SOCIAL SERVICES**



JUNE GIBBS BROWN
Inspector General

SEPTEMBER 1997
CIN: A-09-96-00066



Region IX
Office of Audit Services
50 United Nations Plaza
San Francisco, CA 94102

CIN: A-09-96-00066

Eloise Anderson, Director
Department of Social Services
744 P Street, M.S. 1711
Sacramento, California 95814

Dear Ms. Anderson:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services' report entitled "AUDIT OF FOSTER CARE TRAINING ADMINISTRATIVE COSTS CLAIMED FOR FEDERAL REIMBURSEMENT BY THE CALIFORNIA DEPARTMENT OF SOCIAL SERVICES."

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG, OAS reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-09-96-00066 in all correspondence relating to this report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lawrence Frelot".

Lawrence Frelot
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:
Sharon M. Fujii, Regional Administrator
Administration for Children and Families, HHS
50 United Nations Plaza, Room 351
San Francisco, CA 94102

EXECUTIVE SUMMARY

BACKGROUND

This report presents the results of our audit of administrative costs related to training provided to current and prospective employees and claimed for Federal reimbursement by the California Department of Social Services (State) under title IV-E (Foster Care program) of the Social Security Act. Federal financial participation is available at a rate of 75 percent in certain costs of training staff employed or preparing for employment by the State or local agency administering Foster Care programs. This is an enhanced rate over the 50 percent rate for administrative costs necessary for the operation of States' Foster Care programs, including administrative costs related to training. The audit covered the period July 1, 1994 through December 31, 1995.

OBJECTIVE

The primary objective of our audit was to determine whether the State claimed administrative costs related to foster care training at the appropriate rate of 50 percent instead of the 75 percent rate allowed for certain training costs specified by Federal regulations.

SUMMARY OF FINDINGS

ADMINISTRATIVE COSTS CLAIMED AT 75 PERCENT RATE

Inappropriately Claimed Costs. The State inappropriately claimed administrative costs related to foster care training at the enhanced rate of 75 percent rather than the allowable rate of 50 percent. We identified \$8.4 million inappropriately claimed at the 75 percent rate, resulting in an overclaim of Federal funds totaling \$2.1 million. The costs related to county welfare departments, probation departments, and State and county contracts with universities and did not meet the definition of costs eligible for the enhanced rate under Federal regulations for the Foster Care programs.

Insufficiently Documented Costs. The State did not provide sufficient documentation to support some of the costs that were claimed as matching costs to meet the State's cost sharing requirement for certain costs claimed at the 75 percent enhanced rate. We identified \$3.8 million (Federal share \$2.8 million) of such inadequately supported costs claimed. In some instances, information provided by the State was not sufficient to determine the allowability of the costs under Federal regulations; in other instances, the information was not sufficient to distinguish between (i) costs related to training activities reimbursable at the 75 percent rate, and (i) costs for administrative activities reimbursable at the 50 percent rate.

DUPLICATE COSTS CLAIMED

In its quarterly statements of expenditures, the State included adjustments to costs claimed for Federal reimbursement which resulted in two duplicate claims totaling \$6.8 million (Federal

share \$4.5 million). One duplicate claim resulted from an apparent lack of understanding on how to claim child welfare information system costs that were allowable at the 75 percent rate. This resulted in the same costs being claimed under two different cost categories. The other duplicate claim resulted from an administrative error which duplicated an earlier adjustment for underclaimed costs.

RECOMMENDATIONS

We recommend that the State refund \$6.6 million, which includes \$2.1 million due to the inappropriate use of the 75 percent rate, and \$4.5 million resulting from the duplication of costs. We also recommend that the State provide documentation for the unsupported costs claimed or make an appropriate refund of costs which cannot be supported. Our report also includes various procedural recommendations.

The State concurred with the recommended refund of \$4.5 million resulting in duplicate claims. However, the State did not concur with the recommended refund of \$2.1 million in administrative costs claimed at the enhanced rate of 75 percent or the finding and recommendation relating to the \$3.8 million (Federal share \$2.8 million) of inadequately supported costs set aside. The State did not agree that the regulations limited Federal reimbursement of training-related administrative costs to 50 percent, and commented that it considered the documentation provided in support of the costs claimed to meet its matching requirements to be sufficient.

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
BACKGROUND	i
OBJECTIVE	i
SUMMARY OF FINDINGS	i
ADMINISTRATIVE COSTS CLAIMED AT 75 PERCENT RATE	i
Inappropriately Claimed Costs	i
Insufficiently Documented Costs	i
DUPLICATE COSTS CLAIMED	i
RECOMMENDATIONS	ii
INTRODUCTION	1
BACKGROUND	1
SCOPE	1
Probation IV-E Training	2
Foster Care Training	3
State and Local Training	3
Adjustments	3
FINDINGS AND RECOMMENDATIONS	4
ADMINISTRATIVE COSTS CLAIMED AT 75 PERCENT FFP RATE	5
CRITERIA	5
Provisions for Federal Regulations	5
Departmental Appeals Board (DAB) Decisions	6
COSTS CLASSIFIED AS PROBATION TRAINING	7
County Welfare Departments	7
County Probation Department - LA County	8
LA COUNTY CONTRACTS WITH UNIVERSITIES	8
STATE CONTRACT WITH UC BERKELEY	9
COSTS SET ASIDE - STATE CONTRACT WITH UC BERKELEY	10
RECOMMENDATIONS	12
STATE COMMENTS AND OIG RESPONSE	12

TABLE OF CONTENTS

	<u>Page</u>
Interpretation of Federal Foster Care Regulations	12
State Comments	12
OIG Response	13
Applicability of title IV-A Regulations	13
State Comments	13
OIG Response	13
Definition of Administration	13
State Comments	13
OIG Response	14
OIG Use of DAB Decisions	14
State Comments	14
OIG Response	14
Support of Matching Costs	14
State Comments	14
OIG Response	14
 DUPLICATE COSTS CLAIMED	 15
 SACWIS OVERCLAIM	 15
 DUPLICATE ADJUSTMENT	 15
 RECOMMENDATION	 16
 STATE COMMENTS	 16
 APPENDIX A - Letter Transmitting State Comments to Draft Report	
APPENDIX B - Index to State's Response	
APPENDIX C - Narrative of State's Response	
APPENDIX D - Supporting Documentation Attached to State's Response	

INTRODUCTION

This report presents the results of our audit of administrative costs related to training provided to current and prospective employees and claimed for Federal reimbursement by the State under title IV-E (Foster Care program) of the Social Security Act. The audit was initiated based on problems identified in recent audits performed by the Office of Inspector General (OIG) Office of Audit Services in California and several other States.

In California, the State is responsible for the overall supervision of foster care training programs. The 58 counties in California provide administration at the local level. For the 18-month period of our audit, the State reported a total of \$71.0 million in foster care training costs, of which \$53.3 million was claimed for Federal reimbursement.

BACKGROUND

The Adoption Assistance and Child Welfare Act of 1980 (Act), Public Law 96-272, established the title IV-E program - Federal Payments for Foster Care and Adoption Assistance. Under section 474 of the Act, States are entitled to 75 percent Federal financial participation (FFP) to cover the eligible costs of training State and local personnel who administer the Foster Care program.

Provisions for claiming Federal reimbursement for the cost of administering the Foster Care program are codified in Title 45 of the Code of Federal Regulations (CFR). Section 1356.60(b) of the regulation provides for FFP at the rate of 75 percent in the cost of training personnel employed or preparing for employment by the State or local agency administering the Foster Care program. Under section 1356.60(c) of the regulation, FFP at the rate of 50 percent is available for other administrative expenditures - including administrative expenditures related to training - necessary for the operation of the Foster Care program.

The State has overall responsibility for ensuring that personnel at the State and county level have the training necessary to administer its various social service programs. To carry out its responsibilities, the State provides general oversight of the training program, including the issuance of regulations related to staff development, to county welfare departments. It also provides training programs and consultation to county staff development officers located in the 58 counties in California. A substantial portion of the foster care training is obtained by the State and counties under training contracts, primarily with universities and colleges.

SCOPE

We performed our audit in accordance with generally accepted government auditing standards. Our objective was to determine whether the State's claim for administrative costs related to foster care training was made at the appropriate FFP rate of 50 percent instead of the 75 percent FFP rate allowed for certain training costs specifically defined by Federal regulations. Our review was concerned principally with the categories and types of costs for which claims were made at the enhanced rate, and did not include an audit of the actual costs incurred. Further, for costs which were allocated based on time studies or other allocation methodologies, our audit included an analysis of the types of costs allocated but did not include an evaluation of those methodologies.

Field work was performed from April 1996 through December 1996 at the State, the Los Angeles County Department of Children and Family Services (LA County), and the University of California, Berkeley (UC Berkeley).

We initially surveyed the costs claimed by the State and determined that the State claimed \$71.0 million (Federal share \$53.3 million) in foster care training costs at the 75 percent FFP rate for the audit period July 1, 1994 through December 31, 1995.

Our survey disclosed that \$65.3 million (92.0 percent of the total costs claimed) consisted of three line items on the statements of expenditures, plus adjustments:

- ▶ "Probation IV-E Training" in the amount of \$21.5 million (30.3 percent),
- ▶ "Foster Care Training" in the amount of \$14.9 million (21.0 percent),
- ▶ "State and Local Training" in the amount of \$22.0 million (31.0 percent), and
- ▶ Adjustments totaling \$6.9 million (9.7 percent).

We selected the above areas for more detailed review, and limited our audit for the specific county departments, training contracts, and other activities summarized in the following paragraphs.

Probation IV-E Training. We found that training costs were claimed by county welfare departments for costs incurred within those departments as well as county probation departments. These costs were all classified as probation training.

We selected costs claimed under the classification of probation training costs for review because it represented 30.3 percent of total costs claimed. We conducted our preliminary review of these costs at LA County because it had the most significant amount of probation training costs reported. We found that the preponderance of these costs consisted of county welfare department costs; only a small portion actually related to probation department training.

Our survey at LA County disclosed that the welfare department costs included a significant amount of administrative costs classified as training costs. The LA County reported its costs in accordance with a State-mandated automated template which was completed by all counties for reporting costs claimed. Because all counties reported these costs in a consistent manner, we expanded our review of probation training for welfare department costs to include the next four counties with the most significant welfare department costs reported (San Bernardino, Santa Clara, Sacramento and Orange). These 5 counties represented over 62 percent of the county welfare department costs claimed under the category of probation training.

We did not expand our review of probation department costs beyond LA County because the amounts were relatively insignificant, i.e., they were only 20 percent of total costs classified and claimed as probation training for county probation and welfare departments. In addition, county probation department costs were consolidated with welfare department costs in county

claims and the detailed cost information for probation departments was not reported to the State. Although county welfare department cost details were available at the State level, the State did not have such information available for county probation departments.

Foster Care Training. This cost category represented training costs reported by various counties. This included, but was not limited to, costs for contracts between LA County and two universities: California State University, Long Beach (which in turn subcontracted with the University of Southern California), and the University of California, Los Angeles. The LA County contracts with universities were selected for review based on our prior audit¹ which indicated that administrative costs were included in training costs claimed.

In addition, our survey at LA County disclosed that the University of California, Los Angeles had \$0.6 million in contract costs incurred for the period covered by our audit, but had not submitted the invoices to LA County after our audit period. We included these costs in our audit because they were significant and related to our audit period.

State and Local Training. The majority of these costs consisted of the State contract with UC Berkeley, which in turn subcontracted with 11 other universities throughout California. The UC Berkeley contract was selected for review based on our prior audit¹ which indicated that administrative costs were included in training costs claimed.

Adjustments. The State reported some costs through prior period adjustments; these were reviewed as part of our overall reconciliation of costs claimed for the period covered by our audit.

¹"Audit of Training Contract Costs Claimed for Federal Reimbursement by the California Department of Social Services" issued August 9, 1996 under Common Identification Number A-09-95-00056.

FINDINGS AND RECOMMENDATIONS

In our audit, we determined that the State (i) had inappropriately claimed administrative costs at the 75 percent FFP rate allowed for training costs, (ii) lacked sufficient documentation to support some of the costs claimed for FFP, and, (iii) in two instances submitted duplicate claims for FFP. The amounts involved are summarized in the following table, and explained in the paragraphs which follow.

SCHEDULE OF COSTS QUESTIONED²		
	<u>Total</u>	<u>Federal Share</u>
ADMINISTRATIVE COSTS INAPPROPRIATELY CLAIMED AT 75% FFP RATE:		
Costs Classified as Probation Training	\$4,689,052	\$1,172,263
LA County Contracts with Universities	2,111,487	527,872
State Contract with UC Berkeley	<u>1,628,047</u>	<u>407,012</u>
Subtotals	\$8,428,586	\$2,107,147
DUPLICATE COSTS CLAIMED		
Totals	<u>6,749,420</u>	<u>4,504,493</u>
	<u>\$15,178,006</u>	<u>\$6,611,640</u>
SCHEDULE OF COSTS SET ASIDE³		
	<u>Total</u>	<u>Federal Share</u>
UNSUPPORTED ADMINISTRATIVE COSTS CLAIMED:		
State Contract with UC Berkeley	<u>\$3,782,618</u>	<u>\$2,836,964</u>

²Subparagraphs (i) and (iii), above.

³Subparagraph (ii), above.

We recommend that the State refund to the Federal Government the costs questioned of \$6,611,640 and that the State analyze and adjust as necessary the \$3,782,618 (Federal share \$2,836,964) of costs set aside.

In a letter dated July 11, 1997, the State responded to the findings and recommendations in our draft audit report. Based on the State's response, we made a minor revision affecting the amount questioned for the State contract with UC Berkeley. With respect to this final report, the State disagreed with the recommended refund of administrative costs inappropriately claimed at the 75 percent FFP rate and the related recommendations for this finding. The State agreed to refund the duplicate costs claimed. The State disagreed with the recommendations related to the matching costs which were set aside pending further review by the State of the support provided by UC Berkeley.

Along with the above referenced letter, the State included five enclosures in support of its position on the draft audit report. Enclosure I represents an index of the State's response and Enclosure II is a narrative of the response. Enclosures III through V are the supporting documentation provided with the State's response. We have included the State's letter and the five enclosures as appendices A through D of this report.

ADMINISTRATIVE COSTS CLAIMED AT 75 PERCENT FFP RATE

In our audit, we identified a total of \$8,428,586 that the State inappropriately claimed at the 75 percent FFP allowed for specifically defined training costs, resulting in an overclaim of Federal funds totaling \$2,107,147. In addition, the State's claims for FFP included \$3,782,618 (Federal share \$2,836,964) for which the State did not provide adequate supporting documentation needed to determine the allowability of the costs, or the eligibility for the 75 percent FFP rate at which the costs were claimed.

As a result, we are questioning overclaimed Federal funds totaling \$2,107,147 and recommending that the State refund this amount to the Federal Government. We are setting aside \$3,782,618 (Federal share \$2,836,964) of costs claimed without sufficient supporting documentation, and recommending that the State either provide support to Administration for Children and Families (ACF) for the costs, or refund any amount which cannot be supported.

CRITERIA

Provisions of Federal Regulations. Section 1356.60(b) of Title 45 of the CFR provides for FFP at the rate of 75 percent of the cost of training personnel employed or preparing for employment. Further, section 235.64 of the CFR defines the following specific costs as reimbursable at the 75 percent rate:

- ▶ Salaries, fringe benefits, travel and per diem of full and part time staff assigned to training functions to the extent time is spent performing such functions.

- ▶ Salaries, fringe benefits, travel and per diem for employees (i) in initial in-service training of at least 1 week and (ii) in agency training sessions away from the employee's work site or for training related to the job and sponsored by professional organizations.
- ▶ Salaries, fringe benefits, travel and per diem for experts outside the agency engaged to develop or conduct special programs.
- ▶ Costs of space, postage, teaching supplies, purchase or development of teaching material and equipment, and costs of the agency's library.
- ▶ Salaries, fringe benefits, dependency allowance, travel, tuition, books and educational supplies for training outside of the agency for employees in full-time, long-term training programs. Certain of these types of costs are also allowable for employees in short-term training programs.
- ▶ Stipends, travel, tuition, books and educational supplies for persons preparing for employment with the State or local government.
- ▶ Payments to educational institutions for salaries, fringe benefits, and travel for instructors, clerical assistance, teaching materials, and equipment to develop, expand, or improve training for agency personnel.

Any direct or indirect costs claimed at the enhanced rate must meet the requirements listed in this regulation. Other allowable administrative costs may be claimed at the 50 percent FFP rate pursuant to 45 CFR 1356.60(c).

Departmental Appeals Board (DAB) Decisions. The DAB for the Department of Health and Human Services has made several decisions relating to appeals received from States on the appropriateness of costs that may be claimed for FFP at the 75 percent enhanced rate. The following decisions relate to issues included in this report.

- ▶ DAB Decision No. 1214, dated December 17, 1990, concluded that the burden was on the State to establish that the activities for which the 75 percent FFP rate was applied constituted training. Since the 75 percent rate is a special, enhanced rate, the DAB stated that it is appropriate to require that a State affirmatively show that activities constitute training in order to qualify for reimbursement at that rate. In this decision, the State argued that all activities coded as administration and related to training constituted training. However, the DAB ruled against this position, and stated that administrative activities required in order for the training to take place does not make administration part of training.
- ▶ DAB Decision No. 1422, dated July 1, 1993, related to indirect costs at educational institutions providing training under the Foster Care program. The decision stated that if the indirect rates were calculated using any costs not listed in section 235.64, the State could not properly claim indirect costs at the 75 percent FFP rate applicable to

training. The DAB determined that the costs charged by the use of the indirect cost rates were properly chargeable at 50 percent FFP pursuant to foster care regulations.

COSTS CLASSIFIED AS PROBATION TRAINING

For our audit period, the State claimed, under the classification of probation training, \$21,521,235 (Federal share \$16,140,926) as foster care training costs consisting of the claims submitted by the 58 counties. In our audit, we found that the amounts consisted of costs reported for county welfare departments as well as county probation departments.

We reviewed expenditure reports submitted by the five counties which reported the largest amounts of training costs, which totaled \$11,447,199 (Federal share \$8,585,399). In our audit, we identified \$4,689,052 in administrative costs claimed by the five counties for administrative costs allocated to foster care training. The administrative costs claimed were for activities that did not meet the definition of eligible training as specified in Federal foster care regulations. As a result, the State received excess Federal reimbursement of \$1,172,263.

The five counties included in our audit were submitting their claims in accordance with the State computerized system called the State of California Automated Template (SOCAT) which provides instructions to the counties for claiming expenditures for foster care training at the enhanced 75 percent FFP rate. The same problems that we found for the five counties could therefore be expected to exist in the remaining counties not included in our audit. Thus, the State needs to perform an analysis of the claims submitted by the remaining counties, and make an adjustment for administrative costs claimed inappropriately at the enhanced rate. Further, the State needs to revise its instructions to counties for claiming foster care training costs to ensure that only eligible costs are claimed at the 75 percent enhanced rate.

For the costs claimed by county welfare departments for probation training, our audit included claims submitted by all five counties. However, for the costs related to county probation departments, our audit included only the Los Angeles County Probation Department because of the relative insignificance of the county probation department costs, which were only 20 percent of the county welfare and probation department costs. Further, the information needed for analyzing the costs for the probation departments was not available at the State level.

The following conditions were found for the costs claimed that related to county welfare departments and county probation departments.

County Welfare Departments. The State claimed \$10,593,791 (Federal share \$7,945,343) in child welfare services (CWS) training costs for the 5 largest counties for the period covered by our review. In our audit, we identified \$4,331,364 in county administrative costs that had been allocated to training based on a time study for all personnel whose time is directly charged to the various programs. These administrative costs were allocated to foster care training and claimed at the enhanced 75 percent FFP rate. However, we found that the amounts claimed included costs that did not meet Federal criteria for reimbursement at the 75 percent FFP rate. For example, they included:

- ▶ costs for welfare departments' support staff,
- ▶ travel and space costs,
- ▶ costs allocated under county-wide cost allocation plans, and
- ▶ electronic data processing maintenance, operations and development costs.

The above procedures for claiming foster care training costs are included in the State's automated template called SOCAT. The SOCAT instructs the county welfare departments to allocate administrative costs to foster care training, which results in costs inappropriately claimed at the enhanced foster care training FFP rate of 75 percent. The overclaim resulting from claiming the \$4,331,364 identified in our audit was \$1,082,841.

County Probation Department - LA County. The State claimed \$853,408 (Federal share \$640,056) in probation foster care training costs for the LA County Probation Department for the period covered by our review. In our audit, we identified \$357,688 in administrative costs that had been allocated to training based on a time study required for all persons whose time is directly charged to the various programs.

The LA County Probation Department claims included staff costs allocated for the Executive Offices and Support Staff, Administrative Services Bureau, Field Services Bureau and Juvenile Institution Bureau. In addition to the staff costs, indirect costs were allocated which included categories designated as Services and Supplies, Employee Benefits, Departmental Overhead, County-wide Overhead, Departmental and Bureau Carry-forward, Transportation Allowance and Building Use Allowance.

The above practices show that the costs claimed as training included administrative and indirect costs which were for administrative functions which did not represent eligible training costs as defined by Federal regulations. As such, these costs should only be claimed at the 50 percent FFP rate for administrative activities. The overclaim resulting from inappropriately claiming the \$357,688 as training costs instead of administrative costs was \$89,422.

LA COUNTY CONTRACTS WITH UNIVERSITIES

The LA County contracted with California State University, Long Beach, and the University of California, Los Angeles for providing training to current and future employees. Further, California State University, Long Beach subcontracted with the University of Southern California to provide similar training.

For the period of our audit, the State claimed \$4,663,479 for LA County's contracts with these universities at the enhanced 75 percent FFP rate. Of this amount, the State inappropriately claimed \$1,189,130 of administrative costs and \$922,357 of indirect costs. The costs were for activities that did not meet the definition of eligible training as specified in Federal foster care regulations. As a result, the State received excess Federal reimbursement of \$527,872 (administrative costs of \$297,283 and indirect costs of \$230,589).

We found that the State did not identify or separate the administrative activities or indirect costs from the training activities, but claimed all contract costs as training. Therefore, we evaluated salary and wage costs and indirect costs, and analyzed positions to determine whether they appeared to be administrative in nature by reviewing the written job descriptions, or the job titles if written descriptions were not provided. If positions were all or predominately administrative in nature, we classified them as administration. Otherwise, we considered the positions to be related to training activities. We considered the costs of administrative salaries and wages and indirect costs to be allowable at the 50 percent Federal FFP rate.

The administrative costs claimed for the three universities included in the LA County contracts were similar. For example, the universities reported costs for training center directors and associate directors, fiscal and administrative positions and other positions we determined to be administrative. The University of California, Los Angeles also had an Inter-University Consortium Director, and the University of Southern California had several positions from the School of Social Work Dean's office. These administrative costs are not allowable at the enhanced foster care training FFP rate as supported by specific examples contained in DAB decisions. As a result, the State received excess Federal reimbursement for administrative costs of \$297,283.

The indirect costs represent the costs claimed using the negotiated indirect cost rates applied to modified total direct costs less equipment and stipends. The indirect cost rate includes general and departmental administrative costs not meeting the criteria of eligible types of costs listed in 45 CFR 235.64. As cited in DAB Decision No. 1422, described earlier in this report, such indirect costs are not allowable at the enhanced foster care training FFP rate. The decision stated that such costs were chargeable at 50 percent FFP pursuant to foster care regulations. As a result, the State received excess Federal reimbursement for indirect costs of \$230,589.

STATE CONTRACT WITH UC BERKELEY

The contract between the State and UC Berkeley was for a project named the California Social Work Education Center (CALSWEC). The purpose of the contract was to provide graduate education to current and future employees leading to a Master of Social Work degree. The education was provided by UC Berkeley and 11 other universities in the State.

For the period covered by our audit, the State claimed \$16,938,771 (Federal share \$12,704,078) for costs related to its contract with UC Berkeley. All of the costs were claimed at the 75 percent FFP rate. Our review disclosed that \$1,628,047 of the amounts claimed were for costs of administration that did not meet the definition of eligible training as specified in the Federal foster care regulations. As a result, the State received excess Federal reimbursement of \$407,012.

We found that the State did not identify or separate the administrative activities from the training activities, but claimed all contract costs as training. The contract costs were for operation of the CALSWEC central office, special projects, and direct training activities at

UC Berkeley and the 11 other universities. A major portion of the costs incurred by the universities was represented by stipends paid to the students.

Accordingly, in evaluating salary and wage costs reported by UC Berkeley, we analyzed positions to determine whether they appeared to be administrative in nature by reviewing the written job descriptions, or the job titles if a written description was not provided. If positions were all or predominately administrative in nature, we classified them as administration. Otherwise, we considered the positions to be related to training activities. We considered the costs of administrative salaries and wages to be allowable at the 50 percent Federal FFP rate.

The CALSWEC central office is primarily responsible for the educational oversight and coordination of the project with the participating graduate social work programs in California. We classified the majority of the salaries and wages for the central office as administration. The positions we identified as administration included the Executive Director, Associate and Co-project Directors, administrative analyst/assistants and clerical staff. For example, job descriptions state that the Executive Director is responsible for the administration and management of all CALSWEC program and fiscal operations, and that the Associate Director assists the Executive Director with the overall operation of CALSWEC. The DAB decisions cited earlier in this report show that positions of this type are not considered to be training positions for purposes of claiming costs at the enhanced 75 percent FFP rate.

We considered the costs of associate specialists at the CALSWEC central office to be acceptable at the 75 percent FFP rate because their duties appeared to be related to curriculum development. We also accepted the costs of graduate student assistants at the 75 percent rate. Although their duties related to both administration and curriculum development, we considered their duties to be predominantly related to curriculum development.

Our review of special project costs indicated that most related to curriculum development. Therefore, we classified the project costs as training-related activities even though the duties of some personnel may have involved administrative activities.

Each university program generally had personnel responsible for the overall administration of the program. The personnel included project coordinators or directors who were primarily responsible for the administration of the program, and fiscal and clerical positions whose duties were predominantly administrative. For example, the job description at one university stated that the project coordinator oversaw the administration and implementation of all CALSWEC project activities. Other positions involved duties that included arranging for training, monitoring and evaluating performance of the training, monitoring budgets and expenditures and serving as liaison among other participating schools. The DAB decisions also support the ineligibility of these positions for claiming costs at the 75 percent FFP rate.

COSTS SET ASIDE - STATE CONTRACT WITH UC BERKELEY

The State's claim included \$3,782,618 reported by UC Berkeley for the 18-month audit period which represented the required 25 percent match that the State required the universities to provide, which was in turn used by the State in meeting Federal matching requirements.

However, documentation provided to us by the State was not always sufficient to determine whether the costs were allowable for FFP under Federal criteria. Also, the documentation was not always sufficient to distinguish whether the costs related to training activities reimbursable at the 75 percent FFP rate, or to administration reimbursable at the 50 percent rate.

We noted that the matching expenditures reported appeared to be sufficient in amount to meet the required 25 percent match. However, our review of the documentation disclosed several potential problems with matching costs reported. These problems included:

- ▶ Some of the matching salaries appeared to be administrative in nature. For example, some of the participating universities reported matching costs that included salaries for a director, interim director and clerical assistant, and departmental administration salaries and wages for clerical staff and admissions coordinators.
- ▶ Some universities claimed in-kind matching for county welfare department employees who provided training to Master of Social Work (MSW) students. For example, one university claimed, as an in-kind match, \$174,774 which represented one-half of the salaries and related costs of county social workers who trained 12 MSW students for a 30-week period. However, the salaries and related costs for county social workers involved with foster care were generally funded under the federally-assisted Foster Care program at the rate of 50 percent FFP. The remaining 50 percent is financed with State and local funds which is required to meet Federal matching requirements for the program. Therefore, if these costs in fact represent the county share of the program costs, they would not be allowable to meet the university's matching requirement. Information was not available at the State level in order to make that determination.
- ▶ Indirect costs were not always computed properly. For example, one university claimed indirect costs based on budgeted costs instead of actual costs.
- ▶ One university included stipends in its computation of indirect costs claimed as matching costs. This is inappropriate under provisions of Office of Management and Budget Circular A-21.

Because of the problems with documentation in support of the matching costs claimed under the contract between the State and UC Berkeley, we could not make a determination as to the allowability of the costs reported or the appropriateness of the 75 percent FFP rate.

Accordingly, we are setting the costs aside for future resolution between the ACF and the State. We are recommending that the State provide support for the matching costs claimed under the State contract with UC Berkeley for the period covered by our audit as well as subsequent to December 31, 1995, and make an appropriate adjustment for costs claimed which cannot be supported.

RECOMMENDATIONS

We recommend that the State:

1. Refund \$2,107,147 for Federal funds for administrative costs inappropriately claimed at the 75 percent FFP rate.
2. Revise its instructions to counties for claiming foster care training costs to ensure that only eligible costs are claimed at the 75 percent enhanced rate.
3. Perform an analysis of the claims submitted by the remaining counties not covered by our audit and make an adjustment for administrative costs claimed inappropriately at the enhanced rate.
4. Perform an analysis of the claims submitted by the counties subsequent to our audit period ended December 31, 1995 and make an adjustment for administrative costs claimed inappropriately at the enhanced rate.
5. Provide support to ACF for the matching costs claimed under the State contract with UC Berkeley, and make an appropriate adjustment for any costs claimed which cannot be supported.

STATE COMMENTS AND OIG RESPONSE

The State disagreed with the five recommendations related to refunding \$2,107,147, revising its instructions for claiming foster care training costs, performing additional analyses to adjust for administrative costs claimed at the inappropriate rate, adjusting claims subsequent to our audit period for inappropriately claimed costs at the enhanced FFP rate, and providing support for inadequately supported matching costs. The following paragraphs provide summaries of the State comments and the OIG response to the comments. The full response of the State is included as Appendices A through D.

Interpretation of Federal Foster Care Regulations

State Comments. The State contended that there was no explicit or implied direction in the Federal regulations that costs of administering training were not eligible for FFP at the 75 percent rate.

The State commented that Federal regulations did not distinguish between training costs for which 75 percent FFP was available and training costs which were eligible for 50 percent FFP. Further, the State noted that 45 CFR 235.64, as cited in our report, related to title IV-A of the Social Security Act (Aid to Families with Dependent Children) and not to title IV-E (Foster Care program). The State contended that the foster care regulations which refer to conducting training programs in accordance with the provisions of AFDC regulations were permissive. The basis for that position is that the foster care regulations state, "...training *may* (emphasis added) be provided in accordance with the provisions of sections 235.63 through

235.66(a) of this title." The State contended that the regulation was permissive in that it did not say *shall* be provided.

OIG Response. Title 45 CFR 1356.60 contains the fiscal requirements for foster care training. Paragraph (b) of this section provides for FFP at the rate of 75 percent for State and local training for foster care and adoption assistance. Paragraph (b)(3) specifically cross-references the fiscal requirements for the title IV-E Foster Care program to AFDC regulations at 45 CFR 235.63 through 235.66(a).

Title 45 CFR 235.64 provides States with a description of the activities that are claimable as training expenditures and was in effect before title IV-E of the Social Security Act was enacted. Accordingly, that regulation did not list title IV-E as one of the programs to which it was applicable. Title 45 CFR 1356.60(b)(3) tied the two regulations together to define the foster care training activities that would be reimbursable at the enhanced rate of 75 percent FFP. The regulations support our position that only specific training costs as defined by 45 CFR 235.64 are allowable at the enhanced rate of 75 percent for foster care training and that administrative costs are allowable at the 50 percent FFP rate.

In addition, section 1356.60(c) states that FFP is available at the rate of 50 percent for administrative expenditures necessary for the proper and efficient administration of the Foster Care program.

Applicability of title IV-A Regulations

State Comments. The State said that since Congress repealed title IV-A of the Social Security Act on August 22, 1996 and enacted the block grants for Temporary Assistance to Needy Families (TANF), title IV-A and the related Federal regulations are obsolete and no longer apply to the foster care training program.

OIG Response. Region IX ACF officials have advised us that although title IV-A was repealed in 1996 and replaced by TANF, the regulations still apply to other programs to which they are applicable, including foster care training. Accordingly, our recommendations for revising instructions to counties for claiming foster care training costs, and for performing analyses of claims subsequent to our audit period, are appropriate.

Definition of Administration

State Comments. The State agreed that the OIG correctly distinguished between expenses directly related to instruction and those which were administrative in nature. However, the State disagreed with the definition of administration as reflected in the regulations. The State commented that the foster care training program - one which prepared employees or prospective employees of State and local agencies for work in foster care and adoptions - is unique and different from other educational programs. The State maintained that the use of the word administration in Federal regulations refers to an individual worker's management of a case and not to administration as conducted at educational institutions. The State argued that the tasks of planning, developing, managing, directing, and leading which fall under the

definition of administration at the educational institution level should be allowable as training costs.

OIG Response. The definition of administration as included in the regulations includes management of a case, but also includes other administrative activities as well. The regulations, at section 1356.60(c), provide for 50 percent FFP in the administrative expenditures for the proper and efficient administration of the title IV-E State plan, and do not limit those allowable expenditures to case management costs. We agree that the administrative costs in question relate to training activities. However, according to DAB Decision No. 1214 which we cited in our report, the fact that the administrative costs were required in order for the training to take place does not make administration part of training.

OIG's Use of DAB Decisions

State Comments. The State objected to our use of DAB decisions and indicated that they were used as a substitute for clear regulations and policy interpretations.

OIG Response. The DAB decisions were not used as a substitute for Federal regulations and policy interpretations, but rather to show that the DAB for the Department of Health and Human Services has sustained findings on foster care administrative costs similar to those included in this report.

Support for Matching Costs

State Comments. The State commented that it provided extensive data supporting the matching costs for which we were unable to express an opinion as to their allowability. The State also commented that most of the matching costs was represented by indirect costs incurred but not reimbursed and was based on rates negotiated with the Federal Government. The State questioned whether the OIG was disputing the use of the negotiated indirect cost rates by the universities to determine indirect costs under the CALSWEC contract.

OIG Response. The data provided by the State were not sufficient to determine whether the costs were allowable under Federal regulations or, if allowable, were administrative costs reimbursable at 50 percent FFP or training costs reimbursable at 75 percent. We are not questioning the allowability of these costs but are setting them aside for the State to obtain additional information and perform additional analyses to support the allowability of these costs. Further, we are not disputing the use of negotiated indirect cost rates as a basis for charging costs. However, we found problems with how the rates were applied, such as applying the rates to stipends which is not allowable under the rate agreements with the universities.

DUPLICATE COSTS CLAIMED

The State made administrative errors in preparing quarterly statements of expenditures which resulted in two duplicate claims totaling \$6,749,420 (Federal share \$4,504,493). The State made an error resulting in an overclaim of \$2,190,023 Federal share of expenditures related to the Statewide Automated Child Welfare Information System (SACWIS). Also, the State overclaimed training costs on the March 1995 quarterly statement of expenditures by \$2,314,470 when it made an adjustment to an underclaim of expenditures for the September 1993 quarter.

SACWIS OVERCLAIM

For the quarter ended December 31, 1995, the State claimed \$2,920,030 (Federal share \$2,190,023) for SACWIS costs as IV-E training costs while at the same time including the \$2,920,030 on an addendum to the December 1995 quarterly statement of expenditures. As a result, SACWIS costs were claimed twice on the quarterly report for December 1995.

State officials indicated that there had been some misunderstanding on how the \$2,920,030 of SACWIS costs were to be reported to ACF. The costs had initially been claimed as administrative costs at the 50 percent FFP rate. It was subsequently determined that the costs were allowable at an enhanced FFP rate of 75 percent. In order to obtain the 75 percent FFP rate, the State revised its quarterly report of expenditures by reducing the administrative costs by the \$2,920,030 and increasing foster care training costs (which are allowable at 75 percent FFP) by the same amount.

ACF subsequently provided instructions to the State to report the SACWIS costs as an addendum to the quarterly statement of expenditures. To comply with the suggested reporting format, the State submitted an addendum to a revised quarterly statement of expenditures which claimed the SACWIS costs at the correct 75 percent FFP rate. However, the State inadvertently did not reduce the training costs by the SACWIS costs. As a result of this action, the State claimed the SACWIS costs twice on the December 1995 quarterly statement of expenditures.

DUPLICATE ADJUSTMENT

The State overclaimed training and administrative costs on the March 1995 quarterly statement of expenditures by \$2,314,470 when it made an adjustment to an underclaim of expenditures for the September 1993 quarter. However, our review disclosed the underclaim

had already been corrected on the September 1994 quarterly claim. The duplicate adjustment resulted in overclaimed training and administrative costs as shown in the following schedule.

	<u>Total</u>	<u>Federal Share</u>
Training Costs at 75 Percent FFP	\$1,599,101	\$1,199,326
Administrative Costs at 50 Percent FFP	<u>\$2,230,289</u>	<u>\$1,115,144</u>
Total	<u>\$3,829,390</u>	<u>\$2,314,470</u>

RECOMMENDATION

We recommend that the State refund the duplicate costs claimed totaling \$4,504,493 (\$2,190,023 + \$2,314,470).

STATE COMMENTS

The State concurred with our recommendation to refund the \$4,504,493 for duplicate costs claimed related to the SACWIS overclaim of \$2,190,023 and the duplicate adjustment overclaim of \$2,314,470. In addition, the State said that it is currently implementing new financial reconciliation procedures to prevent this type of error in the future.

APPENDICES

DEPARTMENT OF SOCIAL SERVICES
744 P STREET, SACRAMENTO, CA 95814



July 11, 1997

Lawrence Frelot
Regional Inspector General
For Audit Services
Department of Health and
Human Services, Region IX
50 United Nations Plaza
San Francisco, CA 94102

Dear Mr. Frelot:

SUBJECT: DRAFT REPORT: DHHS-OIG "AUDIT OF FOSTER CARE TRAINING
ADMINISTRATIVE COSTS CLAIMED FOR FEDERAL REIMBURSEMENT
BY THE CALIFORNIA DEPARTMENT OF SOCIAL SERVICES/
A-09-96-00066"

This is in response to your April 11, 1997 request for the California Department of Social Services (CDSS) comments regarding the findings and recommendations contained in the above named draft audit report. Thank you for granting the CDSS additional time (until July 11, 1997) to submit our comments. In the preparation of our response, we followed the same order that the findings are listed in the report "Table of Contents" (see Crosswalk in Enclosure I). CDSS comments are contained in Enclosure II. Supporting documentation is contained Enclosures III, IV, and V.

If you have any questions regarding our response, please call me at (916) 657-3266 or have your staff contact Glen H. Brooks, Jr., Fiscal Policy Bureau, at (916) 657-3440.

Sincerely,


JARVIO A. GREVIOUS
Deputy Director
Administration Division

Enclosures

c: P. Shultz
N. Dickinson
G. Guilden

CROSSWALK FROM CDSS COMMENTS TO REPORT CONTENTS
A-09-96-00066 DRAFT REPORT

<u>ENCLOSURE II</u>	<u>REPORT CONTENTS</u>	<u>REPORT</u>
<u>PAGE</u>		<u>PAGE</u>
	ADMINISTRATIVE COSTS CLAIMED AT 75 PERCENT FFP RATE	5
1	I. COSTS CLASSIFIED AS PROBATION TRAINING	6
1	COUNTY WELFARE DEPRTEMENTS	7
1	COUNTY PROBATION DEPARTMENT - LA COUNTY	8
1	Recommendation IA: Repay \$1,172,263 for CWD & Probation "administrative" costs misclaimed to Title IV-E Training/75% FFP.	12
1 & 2	<i>CDSS Comments:</i>	
3	Recommendation IB: Revise CWD administrative claiming instructions so "administrative" costs not claimed to Title IV-E/75% FFP.	12
3	<i>CDSS Comments:</i>	
3	Recommendation IC: Analyze Title IV-E Training Claims for 53 non-audited counties since 7/1/94; and adjust for misclaimed "administrative" costs.	12
3	<i>CDSS Comments:</i>	
	II. LA COUNTY CONTRACTS WITH UNIVERSITIES	8
4	Recommendation IIA: Repay \$527,872 for "administrative" and "indirect" costs claimed in LA County contracts with universities to Title IV-E Training/75% FFP, instead of to Title IV-E Administration/50% FFP.	12
4	<i>CDSS Comments</i>	
4	Recommendation IIB: Revise CWD administrative claiming instructions so "administrative" and "indirect" costs within training contracts are identified to Title IV-E "Administration"/50% FFP, not to Title IV-E Training/75% FFP.	12
4	<i>CDSS Comments:</i>	

CROSSWALK
PAGE 2

<u>ENCLOSURE II</u> <u>PAGE</u>	<u>REPORT CONTENTS</u>	<u>REPORT</u> <u>PAGE</u>
4	Recommendation IIC: Analyze Title IV-E Training claims for 53 non-audited counties since 7/1/94 to identify direct charged training contracts and within these contracts adjust for contractor's "Administrative" and "indirect" costs claimed to Title IV-E Training/75% FFP	12
5	<i>CDSS Comments:</i>	
	III. STATE CONTRACT WITH UC BERKELEY (CALSWEC)	9
5	Recommendation IIIA: Repay \$407,461 for "administrative" and "indirect" costs claimed in LA County contracts with universities to Title IV-E Training/75% FFP instead of to Title IV-E Administration/50% FFP.	12
5-9	<i>CALSWEC Comments:</i>	
9	<i>CDSS Comments:</i>	
9	Recommendation IIIB: Revise CDSS' State support claiming instructions to ensure "administrative" and "indirect" costs within training contracts are identified to Title IV-E "Administration"/50% FFP, not to Title IV-E Training/75% FFP.	12
10	<i>CDSS Comments:</i>	
10	Recommendation IIIC: Analyze CDSS' State support Claims for Title IV-E Training/75% FFP since 7/1/94 to identify direct charged training contracts and within these contracts adjust for contractor's "administrative" and "indirect" costs claimed to Title IV-E Training/75% FFP	12
10	<i>CDSS Comments:</i>	

CROSSWALK
Page Three

<u>ENCLOSURE II</u>	<u>REPORT CONTENTS</u>	<u>REPORT</u>
<u>PAGE</u>		<u>PAGE</u>
	IV. COSTS SET ASIDE-STATE CONTRACT WITH UC BERKELEY	10
11	Recommendation IV: Document all costs constituting The 25% CALSWEC match annually since July 1, 1994 into three applicable categories, namely: "ineligible costs", "eligible for match at 50%/Title IV-E administration rate, and "eligible for match at 75%/ Title IV-E Training rate". Identify and repay any resultant undermatch.	12
12	<i>CALSWEC Comments:</i>	
13	<i>CDSS Comments:</i>	
	V. DUPLICATE COSTS CLAIMED	12
	SACWIS OVERCLAIM	
13	Recommendation VI: Repay \$2,190,023 in duplicate SACWIS costs claimed.	13
13	<i>CDSS Comments:</i>	
14	DUPLICATE ADJUSTMENT	
	Recommendation V2: Repay \$2,314,470 for adjusting September 1993 quarter under- claim twice (in September 1994 and in March 1995).	13
14	<i>CDSS Comments:</i>	

Page Two
CDSS Comments
A-09-96-00066

specifies that "Federal financial participation is available at the rate of seventy-five (75%) in the costs of training personnel employed or preparing for employment by the State or local agency administering the plan." The regulation further specifies that "All training activities and costs funded under Title IV-E shall be included in the State agency's training plan for Title IV-B." There is no explicit or implicit direction that any cost of developing, implementing or "administering" training is not eligible for Federal financial participation (FFP) at the 75% rate. The regulation also discusses "Federal matching funds for other (emphasis added) State and local administrative expenditures for foster care...." This confirms that training is recognized in the regulation as an administrative expenditure necessary for the administration of the program and that it is to be treated differently as specified in 45 CFR Part 1356(b). Again there is no direction or implication that certain types of training activities or costs are eligible for 75% but other types of training activities or costs are eligible for 50%. Regulation 45 CFR 1356.60(b) governs FFP for training; 45 CFR 1356.6 (c) governs FFP for "other administrative costs."

The draft audit report cites 45 CFR section 235.64 as the section which "defines the following specific costs as reimbursable at the 75 percent rate...." The regulation cited is a Title IV-A regulation which specifies internally the other titles to which it applies. It begins, "Under Title I, X, XIV, or XVI... of the Act, FFP is available at the rate of 75 percent and under title IV-A...." The regulation does not direct itself to Title IV-E. The regulations governing Title IV-E specify that "Short and long term training at educational institutions and in-service training may (emphasis added) be provided in accordance with the provisions of section 235.63 through 235.66(a) of this title." The regulation as stated is permissive; it does not say shall be provided.

The draft audit report's case is not supported in Federal regulation. There is nothing in Federal regulation that requires differential claiming of training costs.

LADCFS Comments: The LADCFS does not concur with this recommendation. Instead, LADCFS concurs with the

Page Three
CDSS Comments
A-09-96-00066

State's interpretation that Federal regulation language supports claims of all integral staff including training administrators at the 75% rate.

(Draft Report,
Page 12)

Recommendation IB:

California should revise its instructions to counties for claiming foster care training costs to ensure that only eligible costs are claimed at the 75% enhanced rate.

CDSS Comments: The CDSS does not concur with this recommendation. Since current Federal regulations do not explicitly or implicitly provide that the cost of developing, implementing or administering training is ineligible for FFP at the 75% rate, it is not necessary to revise existing CDSS instructions to the counties. See CDSS response to "Recommendation IA".

(Draft Report,
Page 12)

Recommendation IC:

California should analyze claims submitted by the non-audited 53 counties, determine the amount of "administrative" costs misclaimed to Title IV-E Training/75% FFP and complete adjustments for the resultant amount overclaimed at the 75% enhanced rate.

CDSS Comments: The CDSS does not concur with this recommendation. Since current Federal regulations do not explicitly or implicitly provide that the cost of developing, implementing or administering training is ineligible for FFP at the 75% rate, it is not necessary to analyze, identify and adjust any alleged overpayments in the unaudited 53 counties. See CDSS response to "Recommendation IA".

PART II.

LA COUNTY CONTRACTS WITH UNIVERSITIES

(Draft Report,
Page 8)

Finding: During the audit period, LADCS claimed \$4,663,479 in CSULB Inter-University Consortium (IUC) training services contract costs to Title IV-E Training/75% FFP. Of this amount, LADCS inappropriately claimed \$1,189,130 administrative costs and \$922,357 indirect costs because these type costs are not eligible training costs specified in Federal foster care regulations. The overclaim resulting from inappropriately including administrative costs in the

Page Four
CDSS Comments
A-09-96-00066

IUC contract costs claimed to Title IV-E Training/75% FFP during the audit period was \$297,283. The overclaim resulting from inappropriately including indirect costs in the IUC contract costs claimed to Title IV-E Training/75% FFP during the audit period was \$230,589.

(Draft Report,
Page 12)

Recommendation IIA:

California should repay \$527,872 for administrative (\$297,283) and indirect (230,589) costs included in the LA County University Training contract costs inappropriately claimed to Title IV-E Training/75% FFP.

CDSS Comments: The CDSS does not concur with this recommendation for the same reasons contained in the Department's responses to "Recommendations IA and IB". Although the County agrees that individuals in question in the Los Angeles Consortium were not providing direct classroom training, these staff were integral to the direct training operation, so their costs were claimed correctly at the 75% FFP rate.

(Draft Report,
Page 12)

Recommendation IIB:

California should revise its instructions to counties for claiming contracted foster care training costs to ensure that contractor's costs which are all or predominantly "administrative" in nature are claimed as "administrative" costs (50% FFP) and "only eligible training costs" in the contract are claimed to enhanced Foster Care program training funds (75% FFP).

CDSS Comments: The CDSS does not concur with this recommendation. Since current Federal regulations do not explicitly or implicitly provide that the cost of developing, implementing or administering training is ineligible for FFP at the 75% rate, it is not necessary to revise existing CDSS instructions to the counties. See CDSS response to "Recommendation IA".

(Draft Report,
Page 12)

Recommendation IIC:

California should analyze quarterly county administrative expense claims, and identify counties

Page Five
CDSS Comments
A-09-96-00066

which claimed third party contract costs to Title IV-E Training/75% FFP. Then for each contract claimed to Title IV-E Training/75% FFP during this period, determine which contract costs were "all or predominately administrative in nature" and process necessary adjustments to applicable county claims to ensure that the contractor's administrative costs were correctly claimed to 50% FFP and only eligible training costs of the contractor were claimed at the enhanced Title IV-E training rate.

CDSS Comments: The CDSS does not concur with this recommendation. Since current Federal regulations do not explicitly or implicitly provide that the cost of developing, implementing or administering training is ineligible for FFP at the 75% rate, it is not necessary to analyze, identify and adjust any alleged overpayments in the unaudited 53 counties. See CDSS response to "Recommendation IA".

PART III.

STATE CONTRACT WITH UC BERKELEY

(Draft Report,
Page 9)

Finding: During the audit period, CDSS contracted with the UC Berkeley, California Social Work Education Center (CALSWEC) project to provide graduate education for current and future employees leading a Master of Social Work degree.

During the audit period, CALSWEC claimed \$16,938,771 (Federal share \$12,704,078) for Title IV-E Training/75% FFP. Of this amount, CALSWEC claimed \$1,629,845, allegedly for administrative costs that did not meet the definition of eligible training costs as specified in Federal foster care regulations. The overclaim resulting from including these administrative costs in the university contracts misclaimed to Title IV-E Training/75% FFP was \$407,461.

(Draft Report,
Page 12)

Recommendation IIIA:

California should repay \$407,461 in administrative costs inappropriately claimed at the 75% enhanced rate.

CALSWEC Comments: The CALSWEC does not concur with this recommendation because there is no regulatory requirement for reimbursing the costs of the

Page Six
 CDSS Comments
 A-09-96-00066

administration of training by an educational institution at the 50 percent rate. The CALSWEC further distinguishes between the use of the word "administration" as defined in the regulations and as applied to the job of developing, expanding, or improving training through an educational institution which is allowed in the regulations at a 75 percent reimbursement rate.

Finally, the CALSWEC has identified a few errors in the working papers of the OIG (see paragraph entitled "Disputed Costs" on Page 9 of these comments).

Disputed interpretation of the regulations. The OIG claims that "Under Section 1356.60(c) of the regulation, FFP at the rate of 50 percent is available for other administrative expenditures - *including administrative expenditures related to training* (emphasis added) - necessary for the operation of the foster care program." There is no language in 1356.60(c) which refers to "administrative expenditures related to training." The language specifically states that "Federal financial participation is available at the rate of fifty percent (50%) for administrative expenditures necessary for the proper and efficient administration of the Title IV-E State Plan. The State's cost allocation plan shall identify which costs are allocated and claimed under this program."

The regulation continues and identifies "examples of allowable administrative costs" in 1356.7(c)(1-5). None of these examples names "administrative expenditures related to training." The only training example refers to travel and per diem for short-term training for foster and adoptive parents and staff of licensed or approved child care institutions providing foster care. The other examples refer to the duties of agency staff for performing such activities as determination and redetermination of eligibility, fair hearings and appeals and rate settings, referral to services, preparation for and participation in judicial determinations, placement of the child, development of the case plan, case reviews, case management and supervision, recruitment and licensing of foster homes and institutions and rate setting.

Section 1456.60(b)(1) is very clear that "Federal financial participation is available at the rate of seventy-five percent (75%) *in the costs of training*

[Office of Audit Services note - The shaded area represents comments applicable to the draft report that are no longer relevant due to changes made in the final report.]

Page Seven
 CDSS Comments
 A-09-96-00066

(emphasis added) personnel employed or preparing for employment by the State or local agency administering the plan." The real "costs of training" in a university are all of the costs of activities associated with developing and implementing an educational program, including instruction and administration. There is no provision in Part 1356.60 that defines the term training expenditure or that distinguishes a direct training expenditure from an indirect training expenditure.

Section 1356.60(b)(3) adds that "short and long term training at educational institutions and in-service training *may* (emphasis added) be provided in accordance with the provisions of 235.63 through 235.66(a) of this title." The use of the word "may" implies choice, not requirement.

The regulations referenced above are Title IV-A regulations, not Title IV-E. On August 22, 1996, Congress repealed Title IV-A and enacted block grants for Temporary Assistance to Needy Families (TANF). Upon approval of a new state plan, Title IV-A and its regulations no longer apply. To the extent that 45 CFR 235.65 could have ever been a basis for supporting ACF's policy interpretation, the above-referenced Federal legislation renders the cited regulation, and ACF's accompanying interpretation, obsolete. Congress made no provisions for old Title IV-A regulations to survive and be applicable to the Title IV-E training program.

Disputed definition of "administration". Even though it applies to Title IV-A, Section 235.63(c)(1-5) describes the conditions under which grants are made to educational institutions at 75% FFP: (1) "Grants are made for the purpose of developing, expanding, or improving training for personnel employed by the State or local agency or preparing for employment...Grants are made for an education program (curriculum development, classroom instruction, field instruction, or any combination of these) that is directly related to the agency's program..."

Educational institutions which develop, expand or improve training are doing more than merely educating in their traditional ways. The educational program

Page Eight
CDSS Comments
A-09-96-00066

("curriculum development, classroom instruction, field instruction, or any combination of these") requires development, adaptation, and oversight to make it applicable for "personnel employed by the State or local agency or preparing for employment." These are tasks of planning, developing, managing, directing, and leading which fall under the category of "administration" in the usual use of the word and not in the definition of the work in these regulations. As demonstrated above, "administrative" tasks in these regulations refer to the agency staff tasks of implementing eligibility determination, case planning, referral to services, case reviews, case management and supervision, and so on. This use of the word "administration" in the regulations refers to an individual worker's management of a case. In an educational institution, the administrative functions ensure the educational program's integrity, usefulness and responsiveness.

The OIG refers to Section 235.64 of the CFR and lists the specific costs reimbursable at the 75 percent rate. Part (d) specifically names "salaries, fringe benefits, and travel of instructors, clerical assistance, teaching materials and equipment" for payments to educational institutions. While "administrative costs" are not specifically mentioned in that section, they are also not specifically mentioned as being precluded in the following section 235.65, "Activities and costs not matchable as training expenditures."

The CALSWEC does not dispute the OIG's claims that certain expenses in the contract between CDSS and UC Berkeley relate to the administration of the educational program. For the most part, they have correctly distinguished between those expenses related to direct instruction and those which are administrative in nature. The Center disagrees with the definition of "administration" as reflected in the regulations and in the nature of educational institutions. This particular type of educational program--one which prepares employees or prospective employees of State and local agencies for work in foster care and adoptions--is unique and different from other educational programs typically conducted by institutions of higher learning. Without enhanced funding for all expenses related to Title IV-E training, universities will not be able to participate fully in the development and implementation of these educational programs. Consequently, the

Page Nine
 CDSS Comments
 A-09-96-00066

quality and quantity of child welfare training and education will decrease, with an accompanying reduction in child welfare workers' skills, and an increase in the number of children put at risk.

Departmental Appeals Board (DAB) decisions. The use of DAB decisions to substitute for clear regulations and policy interpretations by DHHS is confusing and unacceptable. Many of these decisions are still being pursued through the courts and are at variance with interpretations in other HHS regions. Moreover, no DAB decisions have been sent by DHHS to all regions as examples of Title IV-E training regulations which the department supports.

Disputed costs. In reviewing the OIG analysis of specific costs claimed as direct training and administrative costs, the CALSWEC found the following discrepancies.

In their working papers, the OIG variously defines clerical costs as administrative in some universities and direct training in others. In keeping with Section 235.64 of the CFR which specifically mentions "clerical assistance" as being eligible for reimbursement at the 75 percent rate, we contend that these costs should be considered direct training costs across all subcontracts with the participating universities.

For CSU-San Francisco, the OIG incorrectly identified Fiscal Administration and Accounting/Fiscal expenditures as Direct Training Costs. The Other Instructional Costs of \$20,030.41 were also incorrectly identified as Administrative Costs at this same university (see Enclosure III).

CDSS Comments: The CDSS does not concur with this recommendation for reasons cited in the Department's response to Recommendation IA and the Department concurs with more detailed arguments presented above by the CALSWEC.

(Draft Report, Recommendation IIIB:
 Page 12)

California should revise its internal instructions for claiming CDSS direct service contracts for foster care training to ensure that contractor's costs which are all or predominantly "administrative" in nature are claimed as "administrative" costs (50% FFP) and "only

[Office of Audit Services note - The shaded area represents comments applicable to the draft report that are no longer relevant due to changes made in the final report.]

Page Ten
CDSS Comments
A-09-96-00066

eligible training costs" in the contract are claimed to enhanced Foster Care program training funds (75% FFP).

CDSS Comments: The CDSS does not concur with this recommendation. Since current Federal regulations do not explicitly or implicitly provide that the cost of developing, implementing or administering training is ineligible for (FFP) at the 75% rate, it is not necessary to revise existing CDSS instructions to the counties. See CDSS response to "Recommendation IA".

Draft Report,
Page 12)

Recommendation IIIC:

California should review its' State support claims submitted to identify instances where CDSS claimed contract costs to Title IV-E Training/75% FFP. Then, for individual contracts claimed in this sub-universe, determine which contract costs were "all or predominately administrative in nature" and process necessary adjustments to CDSS' claims to ensure that the contractor's administrative costs were claimed to 50% FFP and only eligible training costs of the contractor were claimed at the enhanced Title IV-E training rate.

CDSS Comments: The CDSS does not concur with this recommendation. Since current Federal regulations do not explicitly or implicitly provide that the cost of developing, implementing or administering training is ineligible for FFP at the 75% rate, it is not necessary to analyze, identify, and adjust any alleged overpayments in the unaudited counties. See CDSS response to "Recommendation IA".

PART IV.

COSTS SET ASIDE - STATE CONTRACT WITH UC BERKELEY

(Draft Report,
Pgs 10 & 11)

Finding: During the audit period, CDSS claimed \$3,782,618 in CALSWEC project costs, which represented 25% of CALSWEC contract costs incurred by the participating universities to meet the Federal matching requirements. The terms of the contract required the universities to provide a 25 percent match which was used by the State to meet Federal matching requirements. However, documentation of these costs provided by the State was insufficient to (1) determine whether the costs were allowable for FFP under Federal "administrative costs" criteria or under Federal

Page Eleven
CDSS Comments
A-09-96-00066

"eligible training costs" criteria; and if allowable under either criteria; (2) to distinguish whether such costs could be identified as "eligible training activities" reimbursable at the 75% FFP rate or whether they could be identified as "administrative activities" reimbursable at the 50% FFP rate.

Several potential matching problems were reported. Some of the matching salaries appeared to be administrative in nature (i.e., the match contributed by some universities included salaries for a director, interim director and clerical assistant, and departmental administration salaries and wages for clerical staff and admissions coordinators). Some universities claimed in-kind matching for 50% of the personnel service costs of CWD employees who provided training to Master of Social Work students. These same employees generally identified their personnel service costs to Title IV-E Foster Care at 50% FFP. The nonfederal share was supposed to be met from state and local funds required as the match for Federal Title IV-E funds. Therefore, costs which represented the county share of Title IV-E costs would not be allowable to meet the university's matching requirement. One university claimed indirect costs based on budgeted costs instead of actual costs. One university included stipends in its computation of indirect costs claimed as matching costs which is inappropriate under OMB Circular A-21.

Because the State was unable to provide documentation to support the allowability of these matching costs, the OIG was unable to make a determination regarding whether the costs reported by the universities as match was allowable and appropriate for the 75% FFP rate. Accordingly, the total amount of match claimed for this period has been set aside for future resolution between HHS-ACF and the State.

(Draft Report,
Page 12)

Recommendation IV:

CDSS should provide support for all matching costs claimed under the State-UC Berkeley CALSWEC project contract and submit Federal claims adjustments to correct for any costs claimed which did not meet the Federal criterion for eligible "administration" or

Page Twelve
CDSS Comments
A-09-96-00066

"training costs"; and correct for any eligible "administration costs" which were inappropriately claimed as match at the 75% enhanced rate.

Comments:

CALSWEC: The CALSWEC does not concur with this recommendation. The OIG set aside costs reported by UC Berkeley to support the 25 percent match required by Federal regulations, because they "could not make a determination as to the allowability of the costs reported or the appropriateness of the 75 percent FFP rate." The eleven universities participating in the CDSS-UC Berkeley contract at the time of the audit used indirect foregone and some in-kind match to meet the 25 percent match requirement. The CALSWEC provided extensive data showing the sources of our match. The CALSWEC believes that the Center fulfilled the requirements of the regulations for providing a 25 percent match and that the auditors did not give a reasonable basis for questioning the allowability of these costs.

Most of the match comes from the decisions by universities not to charge indirect costs associated with the direct training costs of this contract. If the OIG is disputing the use of Federal Rate Agreements to determine legitimate indirect costs of this contract, then it seems that one Federal agency is disputing what another Federal agency has approved. The Federal Rate Agreements of each university are negotiated between that university and the Division of Cost Allocation of the Department of Health and Human Services. Each agreement contains the following information about its "use by other Federal agencies: The rates in the Agreement were approved in accordance with the authority in Office of Management and Budget (OMB) Circular A-87, and should be applied to grants, contracts and other agreements covered by OMB Circular A-21, subject to any limitations in A above."

There is no provision in Title IV-E or Title IV-E regulations that expressly excludes the use of indirect costs from being considered allowable training costs. As these indirect costs are determined by the Federal Government to be legitimate costs of a university, included fully in the cost of providing a Title IV-E educational program, they should be acceptable to DHHS as fully claimable for match at the 75 percent rate.

Page Thirteen
CDSS Comments
A-09-96-00066

The attempt by the OIG to use the training/administration distinction is not any more valid here than in the earlier sections of their draft report.

CDSS Comments: The CDSS agrees with the arguments presented above by the CALSWEC.

PART V

DUPLICATE COSTS CLAIMED

(Draft Report,
Pgs 12 & 13)

Finding: Statewide Automated Child Welfare Information System (SACWIS) Overclaim

For the quarter ended December 31, 1995, CDSS initially claimed SACWIS costs totaling \$2,920,030 (Federal share \$2,190,023) at the 50% administrative rate. Subsequently, CDSS learned these same costs were claimable to 75% FFP. In order to reclaim at the enhanced rate, CDSS revised its December 31, 1995 claim by reducing its "administrative" costs by \$2,920,030 and increasing its FC Training costs claimed at 75% FFP. ACF subsequently instructed the State to report SACWIS costs as an addendum to its quarterly statement of expenditures. CDSS then submitted an addendum to a revised quarterly statement of expenditures which claimed SACWIS costs at 75% FFP, but not reduce total training costs by the SACWIS costs already claimed. As a result, California claimed the SACWIS costs twice in the December 1995 statement of expenditures.

(Draft Report,
Page 13)

Recommendation V1: California should refund duplicate SACWIS costs claimed of \$2,190,023.

CDSS Comments: The CDSS concurs with the finding. The Department corrected this overclaim of \$2,190,023 by a revision to Form IV-E-12, dated May 22, 1996 (see pertinent part of the May 1996 claim contained in Enclosure IV). The CDSS is currently implementing new Federal financial reconciliations to correct this type of problem.

(Draft Report,
Page 13)

Finding: Duplicate Adjustment

CDSS overclaimed training and administrative costs on the March 1995 quarterly statement of expenditures by \$2,314,470 when it made an adjustment to an underclaim

Page Fourteen
CDSS Comments
A-09-96-00066

for the September 1993 quarter. However, this same underclaim had already been corrected on the September 1994 quarterly claim, resulting in a duplicate adjustment of \$2,314,470.

(Draft Report,
Page 13)

Recommendation V2: CDSS should repay \$2,314,470 in duplicate costs.

CDSS Comments: The CDSS concurs with this finding. The Department corrected this duplicate adjustment of \$2,314,470 by a revision to Form IV-E-12, dated December 24, 1996 (see pertinent part of the December 1996 claim contained in Enclosure V). The CDSS is currently implementing new Federal financial reconciliations to correct this type of problem.

JD/WP/c:00066b

ENCLOSURE III

CALIFORNIA DSS - REVIEW OF ADM COSTS RELATED TO TITLE IV-E TRAINING ACTIVITIES
 CIN: A-09-96-00066
 ANALYSIS OF COSTS CLAIMED (FULL-TIME & PART-TIME PROGRAMS) FOR CSU-SAN FRANCISCO and
 DETERMINATION OF AMOUNT RELATED TO ADMINISTRATION & THE RESULTING EXCESS FEDERAL COSTS CLAIMED
 FILE # CS-SF-Q.WB2

Category	Comments	Note Ref	W/P Ref For Costs	Total Costs Claimed	Direct Training Costs	Administrative Costs		Non-Federal (Matching)	
						Total	Total For Invoice 13 - 18	Total	Total For Invoice 13 - 18
Salaries & Wages:									
Project Coordinator		(1)	S-12/1-2	\$105,372.24		\$105,372.24	\$52,428.84	\$52,943.40	
Project Trainer		(2)	S-12/1-2	17,133.24	17,133.24				
Asst Field Liaison		(3)	S-12/1-2	2,103.95	2,103.95				
Field Administrator		(4)	S-12/1-2	3,623.50	3,623.50				
Field Liaison		(5)	S-12/1-2	1,654.22	1,654.22		1,654.22		
Field Instructor		(6)	S-12/1-2	70,591.20	70,591.20				
Field Instructor	Various	(6)	S-12/1-2	77,794.87	77,794.87				
Field Asst	No name given	(6)	S-12/1-2	15,329.58	15,329.58				
Accounting/Fiscal	No name given	(4)	S-12/1-2	20,123.76	20,123.76		7,582.06	7,747.50	
Field Liaison	No name given	(3)	S-12/1-2	23,444.79	23,444.79				
Field Liaison	No name given	(6)	S-12/1-2	4,744.00	4,744.00		1,743.00	3,001.00	
Field Instruction/Liaison	No name given	(6)	S-12/1-2	1,817.00	1,817.00				
Child Welfare Instruction	No name given	(7)	S-12/1-2	34,234.90	34,234.90				
Field Support	No name given	(5)	S-12/1-2	2,158.60	2,158.60				
Total				\$380,023.82	\$252,923.80	\$127,100.02	\$63,408.12	\$63,691.90	\$0.00
Depends (Advances)		(8)		\$1,147,500.00	\$1,147,500.00	\$0.00	\$0.00	\$0.00	\$0.00
Utilization & Fees		(9)		\$17,056.33	\$17,056.33	\$0.00	\$0.00	\$0.00	\$0.00
Other Instructional Costs:									
Equipment (Cptr/Printer)		(10)		\$5,564.84		\$5,564.84		\$5,564.84	\$0.00
Supplies/Services		(10)		9,952.59		9,952.59		9,952.59	\$0.00
Telephones		(10)		512.67		512.67		512.67	\$0.00
Travel		(10)		4,000.31		4,000.31		4,000.31	\$0.00
Total Other Instructional Costs				\$20,030.41	\$0.00	\$20,030.41	\$0.00	\$20,030.41	\$0.00
Total Federal Share				\$1,564,610.56	\$1,417,480.13	\$147,130.43	\$63,408.12	\$83,722.31	\$0.00
Non-Federal Share (Matching):									
Non-Federal Share (A)		(11)		\$421,536.43	100,000.00				\$222.93
Matching on Advances				100,000.00	100,000.00				\$222.93
Total Non-Federal Share (Matching)				\$521,536.43	\$100,000.00	\$0.00	\$0.00	\$0.00	\$222.93
Total Invoice (Total Federal + Non-Federal)				\$2,086,146.99	\$1,517,480.13	\$147,130.43	\$63,408.12	\$83,722.31	\$0.00
Advances Deducted				300,000.00	300,000.00				\$222.93
Match on Advances Deducted				100,000.00	100,000.00				\$222.93
Total Amount Claimed				\$1,686,146.99	\$1,117,480.13	\$147,130.43	\$63,408.12	\$83,722.31	\$0.00
Costs Previously Disallowed		(12)				14,900.91	14,900.91	46,670.68	\$198,598.64
Adjusted Administrative/Matching Costs Claimed						\$132,229.52	\$48,507.21	\$151,927.56	\$222.93

5/17

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814

MAY 22 1996



Mr. Joseph Lonergan, Acting Director
Administration for Children
and Families M.S. OFM/DFEBG
370 L'Enfant Promenade, S. W.
Washington, D. C. 20447

Dear Mr. Lonergan:

GRANT NO. 9601CA1401, 9601CA1404, 9601CA1407
FOSTER CARE AND ADOPTIONS PROGRAM

Enclosed is the revised quarterly Statement of Expenditures for the October 1995 through December 1995 quarter for Maintenance Assistance, Administration and Training for the Foster Care and Adoptions Assistance Program funded under Title IV-E of the Social Security Act.

This revision is to correct parts I and II, form IV-E-12, column (a) line A3, due to double reporting of SACWIS costs for the 12/95 quarter.

The following forms are also included:

Form No. IV-E-12
(With Enclosures)

If you have any questions regarding this report, please contact me at (916) 654-1630 or Patsy Mackie, of my staff, at (916) 654-1635.

Sincerely,

[Handwritten Signature]
For: CARLEEN C. KISTLER, Chief
Fund Accounting and
Reporting Bureau

Enclosures

c: Sharon Fujii
Regional Program Director
Administration for Children
and Families
50 United Nations Plaza, Room 450

ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES
STATE QUARTERLY REPORT OF EXPENDITURES AND ESTIMATES

TITLE IV-E
Form IV-E-12

FORM APPROVED through 1/92
OMB NO. 0980-01310

COVER PAGE

Paperwork Act Notice: State agencies are required to provide the information requested in order to receive a grant award under the provisions of Title IV-E (sections 471-476) of the Social Security Act (42 USC 671-676). The Administration for Children, Youth and Families will use these data to calculate the Federal share of funds available to the State to administer the Foster Care and Adoption Assistance Programs. This is public information.

Reporting Burden Notice: The reporting burden imposed by this collection of information is estimated to average 25 hours per response. This includes time for reviewing instruction, searching data sources, gathering and maintaining the data needed and completing and reviewing the information collected. Send comments regarding either this burden estimate or other aspect of this request for information to: Formula Grants Division, Children's Bureau, Administration for Children, Youth and Families, P.O. Box 1182, Washington, D.C. 20013 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

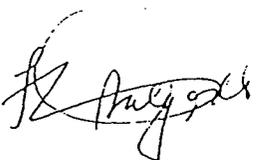
STATE (Name and Complete Address)	SUBMISSION	CURRENT QUARTER ENDED	NEXT QUARTER ENDING
CALIFORNIA STATE DEPARTMENT OF SOCIAL SERVICES 744 P STREET, MS 13-72 SACRAMENTO, CALIFORNIA 95814	<input type="checkbox"/> New <input checked="" type="checkbox"/> Revised	12/31/95	06/30/96

EMPLOYER IDENTIFICATION NUMBER 1 94600 1347 A7

ALL FORMS MUST BE COMPLETED AND ATTACHED as noted:
LIST OF FORMS:

- COVER PAGE, Quarterly.
- PART I: EXPENDITURES AND GRANT REQUEST, TOTAL COMPUTABLE, PAGE 1, Quarterly.
- PART II: EXPENDITURES AND GRANT REQUEST, FEDERAL SHARE, PAGE 2, Quarterly.
- PART III: ESTIMATES, CURRENT & TWO FUTURE YEARS. TOTAL COMPUTABLE, PAGE 3, Semi-Annually.
- PART IV: ESTIMATES, CURRENT & TWO FUTURE YEARS. FEDERAL SHARE, PAGE 4, Semi-Annually.
- PRIOR QUARTER ADJUSTMENTS (as needed), NUMBER OF PAGES _____, Quarterly.
- PART V: DETAILED EXPLANATION OF INCREASE OR DECREASE OF 5% OR MORE, EXPENDITURES, PAGE 5, Quarterly.
- PART VI: DETAILED EXPLANATION OF INCREASE OR DECREASE OF 5% OR MORE, GRANT REQUEST, PAGE 6, Quarterly.
- PART VII: TYPE OF PLACEMENT, ALL CHILDREN IN FOSTER CARE & TITLE IV-E CHILDREN, PAGE 7, Quarterly.
- PART VIII: TYPE OF IV-E-ADOPTION ASSISTANCE CHILDREN, PAGE 7, Quarterly.
- PART IX: (Voluntary Form), SELECTION OF TRANSFER FROM TITLE IV-E-FOSTER CARE TO TITLE IV-B (Child Welfare Services, PAGE 7, Selected and Completed ? ___ Yes ___ No. July 30..

This is to certify that all information reported on all parts of this form is accurate and true to the best of my knowledge and belief. This also certifies that the State's share of the funds requested for the next quarter in Category E (Column (c)) of PART II is or will be available to meet the non-Federal share of expenditures as required by law.

Signature or Authorized Certifying Official	Typed Name, Title, Agency Name, Telephone Number (Area Code, Number, Extension)
	For: Carleen C. Kistler, Chief Fund Accounting & Reporting Bureau (916) 657-1630

Date Submitted MAY 22 1996

CORRECTION *

ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES
STATE QUARTERLY REPORT OF EXPENDITURES AND ESTIMATES

TITLE IV-E
Form IV-E-12

PAGE 1
OMB No.0980-01310

STATE: CALIFORNIA

CURRENT QUARTER ENDED: 12/31/95

NEXT QUARTER ENDING: 06/30/96

PART 1. TOTAL COMPUTABLE FOR FEDERAL PARTICIPATION	EXPENDITURES		(c) NEXT QUARTER ESTIMATES
	(a) CURRENT QUARTER EXPENDITURES	(b) PRIOR QUARTER ADJUSTMENTS	
CATEGORY			
A. NON-VOLUNTARY FOSTER CARE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	159,713,526	0	162,599,810
b. Child Support Collections	-940,608	0	-1,448,860
c. Amount Subject to Sequestration	0	0	0
d. NET TOTAL PAYMENTS	158,772,918	0	161,150,950
e. Average Monthly # of Children	60,341	0	54,961
2. State and Local ADMINISTRATION			
a. Case Planning & Management	94,240,342	0	102,800,000
b. Pre-placement Activities	9,281,160	0	10,000,000
c. Eligibility Determinations	18,736,958	0	22,200,000
d. Other	14,116,256	-7,723,888	10,200,000
e. TOTAL ADMINISTRATION	136,374,716	-7,723,888	145,200,000
3. State and Local TRAINING	11,063,079 *	-29,963	11,000,000
B. VOLUNTARY FOSTER CARE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	658,688	0	543,900
b. Child Support Collections	0	0	0
c. Amount Subject to Sequestration	0	0	0
d. NET TOTAL PAYMENTS	658,688	0	543,900
e. Average Monthly # of Children	230	0	209
2. State and Local ADMINISTRATION	239,434	-722	192,690
3. State and Local TRAINING	1,519	-7	1,049
C. ADOPTION ASSISTANCE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	18,666,208	0	18,970,640
b. Amount Subject to Sequestration	0	0	0
c. NET TOTAL PAYMENTS	18,666,208	0	18,970,640
d. Average Monthly # of Children	14,671	0	14,504
2. State and Local ADMINISTRATION			
a. TOTAL	6,298,376	-340,912	6,500,000
b. Amount of NON-RECURRING Costs	0	0	0
c. # of Children for whom Non-recurring Costs Paid	0	0	0
3. State and Local TRAINING	172,275	-6,631	179,000
D. TOTAL COMPUTABLE (ALL PROGRAMS)	335,381,601	-8,102,122	370,383,729

APPENDIX D, Page 5 of 13

ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES
STATE QUARTERLY REPORT OF EXPENDITURES AND ESTIMATES

TITLE IV-E
Form IV-E-12

CORRECTION

PAGE 2
OMB No.0980-01310

STATE: CALIFORNIA

CURRENT QUARTER ENDED: 12/31/95

NEXT QUARTER ENDING: 06/30/96

PART II. FEDERAL SHARE OF EXPENDITURES	EXPENDITURES		(c) NEXT QUARTER ESTIMATES
	(a) CURRENT QUARTER EXPENDITURES	(b) PRIOR QUARTER ADJUSTMENTS	
	FNAP = 50%		FNAP =
A. NON-VOLUNTARY FOSTER CARE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	79,856,763	0	81,299,905
b. Child Support Collections	-470,304	0	-724,430
c. Amount Subject to Sequestration	0	0	0
d. NET TOTAL PAYMENTS	79,386,459	0	80,575,475
e. Average Monthly # of Children	60,341	0	54,961
2. State and Local ADMINISTRATION			
a. Case Planning & Management	47,120,171	0	51,400,000
b. Pre-placement Activities	4,640,580	0	5,000,000
c. Eligibility Determinations	9,368,479	0	11,100,000
d. Other	7,058,128	-3,861,944	5,100,000
e. TOTAL ADMINISTRATION	68,187,358	-3,861,944	72,600,000
3. State and Local TRAINING	8,297,309 ✕	-22,472	8,250,000
B. VOLUNTARY FOSTER CARE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	329,344	0	271,950
b. Child Support Collections	0	0	0
c. Amount Subject to Sequestration	0	0	0
d. NET TOTAL PAYMENTS	329,344	0	271,950
e. Average Monthly # of Children	230	0	209
2. State and Local ADMINISTRATION	119,717	-361	96,345
3. State and Local TRAINING	1,139	-5	787
C. ADOPTION ASSISTANCE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	9,333,104	0	9,485,320
b. Amount Subject to Sequestration	0	0	0
c. NET TOTAL PAYMENTS	9,333,104	0	9,485,320
d. Average Monthly # of Children	14,671	0	14,504
2. State and Local ADMINISTRATION			
a. TOTAL	3,149,188	-170,456	3,250,000
b. Amount of NON-RECURRING Costs	0	0	0
c. # of Children for whom Non-recurring Costs Paid	0	0	0
3. State and Local TRAINING	129,206	-4,973	134,250
D. TOTAL FEDERAL SHARE (ALL PROGRAMS)	171,283,616	-4,060,211	194,648,252
E. STATE SHARE OF EXPENDITURES	164,097,985	////////////////////	175,735,477

SUMMARY OF COUNTY ADMIN CLAIMS AND CURRENT QUARTER EXPENDITURES WORKSHEET.
Quarter Ended 12/31/95

CACQE1295

	BASIS	FPP RATE	FEDERAL SHARE	COUNTY ADJUSTMENT LINE:	From County Admin. Pg# & Pin Code:	Claims. Qtr. 12/95
1. Case P & Mgmt. 5A L.127,147,148,149	94,240,342	50%	47,120,171	FC Admin.	327.5a	8,548,647
2. Pre-placement Activities 5A.L.128	9,281,160	50%	4,640,580	Case P & Mgmt.		15,911,728
3. Elig. Determ. 327.5A L129,137,143	4,529,798	50%	2,264,899			22,659,796
4. AFDC-FC 327.5B - L205	14,207,160	50%	7,103,580			0
Total Eligibility Determination:	18,736,958	50%	9,368,479			
5. FPP 327.5A L.177,179,500 327.4A 500	2,858,590	50%	1,429,295	(Line 1) TOTAL		47,120,171
6. Licensing/Recruitment.5A L.155	1,797,054	50%	898,527			
7. * FC IV-E SLIAG - Program. From mod pg.	0	50%	0	FC Admin. FPP 327.5a		1,107,872
8. * SAMS	168,497	50%	84,249			159,859
9. * State Administration(from fcsu1295)	9,232,996	50%	4,616,498			161,428
10. * Probation Title IV-E.327.5A L.131,	59,118	50%	29,559	327.4a		136
Total Other:	14,116,255	50%	7,058,128	(Line 5) TOTAL		1,429,295
TOTAL FOSTER CARE ADMINISTRATION :	136,374,715	50%	68,187,358			
11. FC Training.327.4A L. 137,143,145,147,	2,364,252	75%	1,773,189	FC Admin.	327.5a	1,123,177
148,149,155,158,162,174,177,179,504,506	918,747	75%	689,060	Elig.Determ.		0
12. FPP/CWS 327.5A-162,174 Lics 158 504,506	51,244	75%	38,433			1,108,240
13. AFDC-FC Eligibil Trng-FED 327.4B L205	0	75%	0			33,482
14. * FC IV-E SLIAG - Staff Dev (mod.Pg.)	0	75%	0			
15. * SAMS	0	75%	0			
16. * State & Loc. Training(from fcsu1295)	3,008,205	75%	2,256,154	(Line 3) TOTAL		2,264,899
17. * PROBATION FC TRAINING 5A L.130,145	4,720,631	75%	3,540,473	FC Training	327.4a	15,512
TOTAL FOSTER CARE TRAINING :	11,063,079	75%	8,297,309			
18. Adopt Asst Admn.-5A L117,121,123,	5,071,554	50%	2,535,777			
19. 327.5B - L230 AA Eligibility-FED	424,056	50%	212,028			
20. * SAMS	0	50%	0			
21. * State Administration(from fcsu1295)	648,436	50%	324,218			1,350,006
22. * PROBATION ADOPTIONS 327.5A L.132	154,330	50%	77,165			118,071
TOTAL ADOPT ASSISTANCE ADMINISTRATION :	6,298,376	50%	3,149,188			175,389
23. Adopt. Assist. Trg. 327.5A - 125	141,211	75%	105,908			0
24. 327.4A - L117,125 AA Training-FED	29,081	75%	21,811			6,198
25. 327.4B - L230 AA Eligib. Trn-FED	1,983	75%	1,487			4,607
26. * SAMS	0	75%	0			0
27. * State & Loc.Training(from fcsu1295)	0	75%	0			155
TOTAL ADOPTION ASSISTANCE TRAINING :	172,275	75%	129,206			158
28. 327.5A CWS-CASE MGT: Vol FC L.154	126,052	50%	63,026			0
29. 327.5B AFDC-FC-VOL PGM L.206	113,382	50%	56,691			511
TOTAL VOL FOSTER CARE ADMIN.:	239,434	50%	119,717			6,277
30. 327.4A CWS-CASE MGT: Vol FC L.154	552	75%	414			880
31. 327.4B AFDC-VOL-FC PGM L.206	967	75%	725			64,925
TOTAL VOL FOSTER CARE TRAINING:	1,519	75%	1,139			1,750,414
Grand Total Admin and Training FC/ADOP and Voluntary FC/ADOP	79,883,917					801,719

COLLECTION OF TAXES OUT
SAMS - 2
page 2
page 3

Note: All strike line item amounts are inputted directly.

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

PETE WILSON, Governor

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



DEC 24 1996

Mr. Joseph Lonergan, Acting Director
Administration for Children
and Families M.S. OFM/DFEBG
370 L'Enfant Promenade, S. W.
Washington, D. C. 20447

Dear Mr. Lonergan:

GRANT NO. 9601CA1401, 9601CA1404, 9601CA1407
FOSTER CARE AND ADOPTIONS PROGRAM

Enclosed is the revised quarterly Statement of Expenditures for the July 1996 through September 1996 quarter for Maintenance Assistance, Administration and Training for the Foster Care and Adoptions Assistance Program funded under Title IV-E of the Social Security Act.

This revision includes amounts for audited County Administration Claims for the September 1996 quarter.

The following forms are also included:

Form No. IV-E-12
(With Enclosures)

If you have any questions regarding this report, please contact me at (916) 654-1630 or Patsy Mackie, of my staff, at (916) 654-1635.

Sincerely,

Patsy Mackie
CARLEEN C. KISTLER, Chief
Fund Accounting and
Reporting Bureau

Enclosures

c: Sharon Fujii
Regional Program Director
Administration for Children
and Families
50 United Nations Plaza, Room 450

ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES
STATE QUARTERLY REPORT OF EXPENDITURES AND ESTIMATES

TITLE IV-E
Form IV-E-12

FORM APPROVED through 1/92
OMB NO. 0980-01310

COVER PAGE

Paperwork Act Notice: State agencies are required to provide the information requested in order to receive a grant award under the provisions of Title IV-E (sections 471-476) of the Social Security Act (42 USC 671-676). The Administration for Children, Youth and Families will use these data to calculate the Federal share of funds available to the State to administer the Foster Care and Adoption Assistance Programs. This is public information.

Reporting Burden Notice: The reporting burden imposed by this collection of information is estimated to average 25 hours per response. This includes time for reviewing instruction, searching data sources, gathering and maintaining the data needed and completing and reviewing the information collected. Send comments regarding either this burden estimate or other aspect of this request for information to: Formula Grants Division, Children's Bureau, Administration for Children, Youth and Families, P.O. Box 1182, Washington, D.C. 20013 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

STATE (Name and Complete Address)	SUBMISSION	CURRENT QUARTER ENDED	NEXT QUARTER ENDING
CALIFORNIA STATE DEPARTMENT OF SOCIAL SERVICES 744 P STREET, MS 13-72 SACRAMENTO, CALIFORNIA 95814	<input type="checkbox"/> New <input checked="" type="checkbox"/> Revised	09/30/96	03/31/97

EMPLOYER IDENTIFICATION NUMBER 1 94600 1347 A7

ALL FORMS MUST BE COMPLETED AND ATTACHED as noted:
LIST OF FORMS:

- COVER PAGE, Quarterly.
- PART I: EXPENDITURES AND GRANT REQUEST, TOTAL COMPUTABLE, PAGE 1, Quarterly.
- PART II: EXPENDITURES AND GRANT REQUEST, FEDERAL SHARE, PAGE 2, Quarterly.
- PART III: ESTIMATES, CURRENT & TWO FUTURE YEARS. TOTAL COMPUTABLE, PAGE 3, Semi-Annually.
- PART IV: ESTIMATES, CURRENT & TWO FUTURE YEARS. FEDERAL SHARE, PAGE 4, Semi-Annually.
- PRIOR QUARTER ADJUSTMENTS (as needed), NUMBER OF PAGES _____, Quarterly.
- PART V: DETAILED EXPLANATION OF INCREASE OR DECREASE OF 5% OR MORE, EXPENDITURES, PAGE 5, Quarterly.
- PART VI: DETAILED EXPLANATION OF INCREASE OR DECREASE OF 5% OR MORE, GRANT REQUEST, PAGE 6, Quarterly.
- PART VII: TYPE OF PLACEMENT, ALL CHILDREN IN FOSTER CARE & TITLE IV-E CHILDREN, PAGE 7, Quarterly.
- PART VIII: TYPE OF IV-E-ADOPTION ASSISTANCE CHILDREN, PAGE 7, Quarterly.
- PART IX: (Voluntary Form), SELECTION OF TRANSFER FROM TITLE IV-E-FOSTER CARE TO TITLE IV-B (Child Welfare Services), PAGE 7, Selected and Completed ? Yes No. July 30..

This is to certify that all information reported on all parts of this form is accurate and true to the best of my knowledge and belief. This also certifies that the State's share of the funds requested for the next quarter in Category E (Column (c)) of PART II is or will be available to meet the non-Federal share of expenditures as required by law.

Signature or Authorized Certifying Official | Typed Name, Title, Agency Name, Telephone Number
(Area Code, Number, Extension)

Patsy Mackie for

Carleen C. Kistler, Chief
Fund Accounting & Reporting Bureau
(916) 657-1630

DEC 24 1996 Date Submitted

APPENDIX D, Page 10 of 13

IV_E1996

ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES
STATE QUARTERLY REPORT OF EXPENDITURES AND ESTIMATES

TITLE IV-E
Form IV-E-12

PAGE 2
OMB No.0980-01310

STATE: CALIFORNIA

CURRENT QUARTER ENDED: 09/30/96

NEXT QUARTER ENDING: 3/31/97

PART II. FEDERAL SHARE OF EXPENDITURES	EXPENDITURES		(c) NEXT QUARTER ESTIMATES
CATEGORY	(a) CURRENT QUARTER EXPENDITURES	(b) PRIOR QUARTER ADJUSTMENTS	
	FMAP = 50%		FMAP = 50.23%
A. NON-VOLUNTARY FOSTER CARE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	87,452,150	7,046	89,500,000
b. Child Support Collections	-1,357,385	0	-1,000,000
c. Amount Subject to Sequestration	0	0	0
d. NET TOTAL PAYMENTS	86,094,765	7,046	88,500,000
e. Average Monthly # of Children	64,267	5	65,000
2. State and Local ADMINISTRATION			
a. Case Planning & Management	50,489,284	0	56,000,000
b. Pre-placement Activities	5,089,688	0	5,000,000
c. Eligibility Determinations	9,297,933	0	11,000,000
d. Other	50,400,019	0	15,000,000
e. TOTAL ADMINISTRATION	115,276,924	824,431	87,000,000
3. State and Local TRAINING	9,067,348	-1,800,337*	8,900,000
B. VOLUNTARY FOSTER CARE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	303,621	0	300,000
b. Child Support Collections	0	0	0
c. Amount Subject to Sequestration	0	0	0
d. NET TOTAL PAYMENTS	303,621	0	300,000
e. Average Monthly # of Children	234	0	230
2. State and Local ADMINISTRATION	108,881	1,022	170,000
3. State and Local TRAINING	971	-2	1,800
C. ADOPTION ASSISTANCE			
1. Maintenance Assistance PAYMENTS			
a. TOTAL	10,177,358	0	10,500,000
b. Amount Subject to Sequestration	0	0	0
c. NET TOTAL PAYMENTS	10,177,358	0	10,500,000
d. Average Monthly # of Children	15,721	0	16,500
2. State and Local ADMINISTRATION			
a. TOTAL	3,927,690	-418,477	3,750,000
b. Amount of NON-RECURRING Costs	0	0	0
c. # of Children for whom Non-recurring Costs Paid	0	0	0
3. State and Local TRAINING	106,213	340	160,000
D. TOTAL FEDERAL SHARE (ALL PROGRAMS)	227,291,237	-1,385,977	204,657,716
E. STATE SHARE OF EXPENDITURES	219,689,904	////////////////////////////////////	197,707,138

IV-Ea
ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES
PRIOR QUARTER ADJUSTMENTS

QNR NO. 0980 01310 TITLE IV-E
Form IV-E-12

STATE: CALIFORNIA

Quarter Ended:

~~SEPTEMBER 30, 1996~~

ADJUSTMENT PAGE NUMBER 1 of 1

(Attach to Quarterly Report)

INCREASING ADJUSTMENTS										
A. Applicable to Quarter Ended (month/year)	B. Federal Audit Number (if Applicable)	C. TOTAL Computable Amount This Adjustment	D. Payments Assistance for Quarter of Adj	E. Average # of Children	F. Administration Amount (at 50 \$)	G. Training Expenditures (at 75\$)	H. Line of Column (b) of PARTS I-11	I. Narr. Attached (Check Box)		
1	Adoptions 12/95 Adain.	16,610		50	8,305					
2	Adoptions 12/95 Trng.	453		75		340				
3	Vol. Foster Care 12/95 Adain.	2,054		50						
4	Foster Care 4/96 Kodiac County	24,618	12,309	50	1,027					
5	Foster Care 6/96 Trng.	1,777		75		1,333				
6	Foster Care 12/94 Adain.	3,140,358		50	1,570,179					
7	Foster Care 12/94 Trng.	32,717		75		24,538				
8										
9										
TOTALS		3,218,588	12,309	0	1,579,511	26,211	0	0		

DECREASING ADJUSTMENTS										
A. Applicable to Quarter Ended (month/year)	B. Federal Audit Number (if Applicable)	C. TOTAL Computable Amount This Adjustment	D. Payments Assistance for Quarter of Adj	E. Average # of Children	F. Administration Amount (at 50 \$)	G. Training Expenditures (at 75\$)	H. Line of Column (b) of PARTS I-11	I. Narr. Attached (Check Box)		
1	Foster Care 9/93 Trng.	1,599,101		75						
2	Foster Care 6/96 El Dorado County	10,525	5,263	50						
3	Foster Care 9/93 Adain.	1,376,812		50						
4	Adoptions 9/93 Adain.	853,476		50						
5	Foster Care 12/95 Adain.	114,684		50	57,342					
6	Vol. Foster Care 12/95 Trng.	3		75						
7	Foster Care 12/95 Trng.	835,843		75		626,882				
8	Vol. Foster Care 12/94 Adain.	10		50						
9	Adoptions 12/94 Adain.	88		50						

Reversing
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connected

